

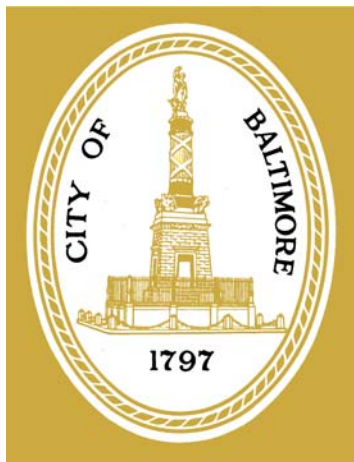
PERFORMANCE AUDIT REPORT

CITY OF BALTIMORE

BUREAU OF PURCHASES

LARGE AND SPECIALTY LAMPS CONTRACT

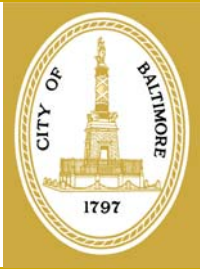
APRIL 2004



City of Baltimore
Department of Audits

CITY OF BALTIMORE

MARTIN O'MALLEY, Mayor



DEPARTMENT OF AUDITS

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April 5, 2004

Honorable Joan M. Pratt, Comptroller
And Other Members of the Board of Estimates
City of Baltimore

The Department of Finance - Bureau of Purchases (Purchases) requested that the Department of Audits conduct an audit of the multi-area wide requirements contract that provides large and specialty lamps for the City of Baltimore (City), State of Maryland and other local municipalities/jurisdictions. The purpose of our audit was to determine whether the prices charged for providing large and specialty lamps to the City were in compliance with the pricing specified in the contractual agreement. The period of our review was from July 1, 2002 through September 30, 2003. This report conveys the results of our audit.

BACKGROUND:

The written requirements and guidelines addressing procurement procedures for the City of Baltimore are contained in the Baltimore City Charter and "Purchases Manual" which provides various procurement procedures that have been adapted and compiled by the Bureau of Purchases from the American Bar Association's Model Procurement Code for State and Local Governments.

Purchases is the centralized procurement agency charged with the responsibility to procure materials, supplies, equipment, and services (other than professional services) for the City, subject to the approval of the Board of Estimates. As part of this centralized procurement process, Purchases determines the appropriate method of procuring goods and services and ensures that, to the fullest extent practical, the best quality at competitive prices is being obtained. Purchases determined that the area-wide requirements contract for large and specialty lamps would best meet the needs of the City, State and other local municipalities/jurisdictions.

On September 27, 2000, an area-wide requirements contract (BP-01050) to provide large and specialty lamps was awarded by the City to the lowest bidder, C.N. Robinson Lighting Co., Inc. for a period of three years in the amount of \$720,000. (The City's annual usage/requirement was estimated at \$240,000). The contract also contained an option for a two-year extension at the sole discretion of the City. In accordance with the contract specifications, C.N. Robinson Lighting would supply all the large and specialty lamps required by the City and other jurisdictions discounted by 89.2% of the prices listed in General Electric (G.E.) catalogs, 9200-T and PH-3200 dated March 30, 2000. After the first year, a provision in the contract provided the vendor the opportunity to use revised price lists on an annual basis if the vendor gave prior

written notification to the City of the intended change. The bulb manufacturer used could be G.E., Philips or an approved equal. C.N. Robinson is a distributor of the Philips light bulb manufacturer. During the period from September 27, 2000 through September 30, 2003, the City paid C.N. Robinson Lighting invoices totaling \$582,397 under this contract.

OBJECTIVE, SCOPE AND METHODOLOGY:

The objective of this audit was to determine whether the prices charged by C.N. Robinson Lighting Co. for providing large and specialty lamps to the City of Baltimore were in compliance with the pricing specified in the contractual agreement. This audit was conducted in accordance with *Government Auditing Standards* related to performance audits, issued by the Comptroller General of the United States and, accordingly, included such tests of the records and such other auditing procedures we considered necessary in the circumstances.

In order to accomplish our objectives, we obtained an understanding of the contract requirements and the application of the discount to prices specified in the G.E. catalogs. On a test basis, we reviewed and compared the discounted price to the invoiced price charged to the City for a 15-month period from July 1, 2002 through September 30, 2003.

AUDIT RESULTS:

As part of our audit procedures, we reviewed 65 vouchers totaling \$229,923 of \$251,609 billed to the City during the 15-month audit period. Since C.N. Robinson is a Philips distributor, we had to cross reference the Philips product code contained in the vendor's invoices to the comparable G.E. product code contained in the G.E. catalog. This task was accomplished by using an automated crisscross that converted the Philips product code to the G.E. comparable product code. When the codes contained on the vendor's invoice did not cross reference a G.E. comparable product code, the prices were determined with the assistance of a G.E. area representative. Based on our analysis, we determined that C. N. Robinson priced the large and specialty lamps in accordance with the terms of the City Contract.

However, we noted the following conditions and have provided recommendations to address these conditions.

Finding #1

Payments in the amount of \$66,443 were made to C. N. Robinson for items that were outside the scope of this contract.

Analysis

The City paid C.N. Robinson \$66,443 for non-lamp items which were outside the scope of this contract. Our review disclosed that the City has a contract with another vendor that has exclusive rights to provide the City with non-lamp items. Not using the proper contract could cause the City agency to spend more for the items than necessary and could violate City procurement policies.

Recommendation

We recommend that Purchases establish procedures to ensure that City agencies utilize the appropriate vendor/supplier for non-lamp items.

Bureau of Purchases' Response

The Bureau of Purchases will make every effort, through periodic notification to users of this contract, to ensure that all large and specialty lamps purchased by the City are made from the requirements contract currently in place. Expected completion: Ongoing

Finding #2

The lighting contract did not address pricing for excluded large and specialty lamps and products that were not made by General Electric.

Analysis

The lighting contract did not address pricing for excluded large and specialty lamps and products that were not made by General Electric. Therefore, the discount of 89.2% was not applied when C.N. Robinson billed the City. The City paid C.N. Robinson for excluded large and specialty lamps totaling \$5,364 during the period July 1, 2002 through September 30, 2003. Excluded large and specialty lamps are light bulbs designed by a lighting manufacturer who has the sole right to the invented product for a specified period of time. The lighting contract also did not address the pricing for light bulbs that are made by manufacturers other than G.E.

Recommendation

We recommend that Purchases ensure that contract specifications and requirements address the City's needs and protect the City's interests. We also recommend that the pricing of excluded items made by other manufacturers be addressed in the contract.

Bureau of Purchases' Response

The Bureau of Purchases has incorporated the excluded items into the current requirements contract, and written its specifications and requirements to fill the City's needs and protect its interest, while at the same time expanding the opportunity for minority participation. Expected completion: Complete

Finding #3

Purchases did not provide City agencies with the catalogs needed to verify the accuracy of the vendor's invoice.

Analysis

Purchases did not provide City agencies with the catalogs needed to verify the accuracy of the vendor's invoice. Every City agency is responsible for verifying the accuracy of invoices and authorizing the payment to the vendor. Without the necessary tools to review invoices, improper or inaccurate bills will continue to be paid without timely detection.

Recommendation

We recommend that Purchases provide City agencies with the required catalogs of applicable prices so that they can determine whether the City is being billed in accordance with the terms of the contractual agreement.

Bureau of Purchases' Response

The Bureau of Purchases has provided all concerned agencies a listing of catalog items and their verified discount prices. Expected completion: Complete.

We appreciate the cooperation and assistance provided by the staff members of the Bureau of Purchases.

Respectfully submitted,

Yovonda D. Brooks, CPA
City Auditor